UGANDA UPDATE – FALL 2008

SUMMARY – SCROLL DOWN FOR FULL STORY

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The new bloc, to be comprised of the 26 member nations of the Common Market of Southern and Eastern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), will create the largest free trade area on the African continent with a market of over 527 million people and a combined GDP of $624 billion.

The new agreement represents a victory for Uganda, which has long advocated greater regional integration as a key to economic development in Africa. "This is a historic meeting because the greatest enemy of Africa, the greatest source of weakness, has been disunity and a low level of political and economic integration," President Museveni said. The new bloc, he added, would help guarantee a lasting and prosperous future for the continent.

At the summit, the three regional trade blocs agreed to develop a road map within six months to establish a free trade area that would include a legal framework and measures to facilitate the movement of business across borders. A new tripartite Council of Ministers will meet in one year to determine the time frame for completing the free trade zone. The single customs union will end import taxes on goods originating in member states and reduce other non-tariff barriers to trade within the larger region.

The new arrangement will also eventually include integration of financial systems, capital markets and commodity exchanges. In addition, it calls on the secretariats of the regional blocs to harmonize their positions on economic partnership agreements and negotiations at global forums such as the World Trade Organization (WTO).

The three regional bodies have also agreed to achieve regional air connectivity by January 2009. In addition, they have resolved to establish an inter-regional broadband internet network and to coordinate their strategic plans for regional transportation and energy within 12 months.

The 26 nations that will comprise the free trade area are: Angola, Botswana, Burundi, Comoros, the Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Lesotho, Libya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

The six Heads of State who attended the summit included President Yoweri Museveni, President Paul Kagame of Rwanda, President Mwai Kibaki of Kenya, President Jakaya Kikwete of Tanzania, President Kgalema Motlanthe of South Africa and President Robert Mugabe of Zimbabwe.

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It will use its tenure to promote regional peace and security as well as regional integration issues in Africa, according to the Hon. Sam Kutesa, Minister of Foreign Affairs.

The country is also expected to try to advance the goals of the Ezulwini Consensus, endorsed by the African Union in 2005, which calls for two permanent seats for Africa on the UN Security Council as well as five additional non-permanent seats, enlarging the Security Council from 15 to 26 member countries.

Since its founding, the Security Council has had five permanent members - the United States, Great Britain, France, China and Russia - and 10 non-permanent members.

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Uganda's enhanced presence at the UN will provide US policymakers with increased opportunities to develop the already warm relationship between the two countries.

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"The easy-to-find mineral deposits have largely been discovered, leaving only those that are hidden under the surface," Mr. Kaliisa said, adding that the government was confident that further deposits will be found.

"This project will enable the development of the country's mineral resources in an efficient, socially sustainable and environmentally sound manner, as well as contribute substantially to the country's earnings, employment, reduction of poverty, and improvement of quality of life in rural areas," Mr. Kundhavi Kadiresan, World Bank Country Manager for Uganda, told the *East African* newspaper.

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2007 was also a good year for Uganda's resurgent cocoa industry with exports of over 10,000 metric tons worth $20 million. The increased yield is the result of a replanting program implemented in 2001/2002 by Uganda's Ministry of Agriculture.

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Mr. Bitature said new investments in the manufacturing sector would create the most jobs (2,028), with finance, insurance, real estate and tourism generating 1559 new jobs, followed by construction (1,005), agriculture, forestry and fishing (649), and mining and quarrying (426).

UIA Executive Director, Ms. Maggie Kigozi, said most of the investors were from China, Japan, Germany, Singapore, Malaysia and Nigeria. In 2007, Uganda attracted $2.2 billion in new investment.

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The boom can be attributed to aggressive government intervention through the introduction of drought-tolerant upland varieties and lowland irrigated varieties as well as the introduction of duties on imported rice. The result has been not only a boom in rice production but a sharp decline in domestic consumption of imported rice. In 2007, Uganda saved about $30 million by importing about half the quantity it imported in 2005, according to the Uganda National Agricultural Research Organization.

The country is now poised to begin exporting rice to southern Sudan and the Democratic Republic of the Congo, and beginning in January 2009 it will export upland rice seed. Mali has ordered 3,000 metric tons, Ethiopia 506 metric tons and Benin 100 metric tons. At the quoted price of $1.75 a kilogram, Mr. Okasai Opolot, the Ministry of Agriculture's Commissioner for Crop Production and Marketing, estimated that Uganda should earn close to $6.4 million.

The government initiative to boost rice production is part of a larger policy to increase the cultivation of all food crops to mitigate future food shortages and price hikes. "Uganda's approach to the food crisis is not to provide short-term solutions like subsidies, but to facilitate farmers through the National Agricultural Advisory Services (NAADS) to enhance supply," Dr. Fred Muhumuza, Economic Adviser to Uganda's Minister of Finance, told *New Vision* newspaper. "We want everybody to support the long-term approach. The general thrust of this is to improve roads, marketing, productivity and storage."

The benefits of this approach to the rice sector are already apparent. New rice mills have opened, attracting foreign investment, expanding employment and creating competition for farmer output which has resulted in lower prices. Earlier in 2008, China opened the first of a planned string of new rice mills in Uganda. The mill buys rice from local farmers and then processes it for both domestic use and for export to Yemen and Singapore. The result is that while people in other developing countries are paying more for rice, Ugandans are still paying about the same as they did before shortages drove up prices.

A major factor in the increase of rice production in Uganda was President Yoweri Museveni's introduction in 2004 of high-yielding New Rice for Africa (NERICA) varieties. NERICA varieties were first developed by scientists at the West African Rice Development Association (WARDA) in Nigeria. Uganda has successfully adopted three disease-resistant upland varieties suited to the higher altitudes of East Africa. NERICA varieties are not only higher yielding than Asian varieties, but they also are faster to mature and contain more protein per grain.

The imposition of duties on imported rice from countries that heavily subsidize their rice farmers also played an important role in jumpstarting the Ugandan rice industry. The government, however, sees the duties as temporary and is developing new

varieties capable of out-competing imported rice. NERICA Project Manager Dr. Ram Chaudhary said recently on *Farm Radio Weekly*, an information service for rural radio broadcasters in sub-Saharan Africa, that a new variety called NERICA 10, with its superior flavor, should be able to edge imported rice out of the market, even if import duties are removed.

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NEW MILL TO BRING DEVELOPMENT TO ISLAND RESIDENTS

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The opening of the $10-million mill will coincide with the first commercial harvesting of palm oil from trees previously planted in the district, and will lessen Uganda's reliance on palm oil imported mainly from Malaysia, Indonesia and India. Uganda currently imports about 70% of its vegetable oil needs at a cost of $150 million annually.

Locating the mill close to Bidco's plantation, which already supports about 600 farmers as out-growers, will make it easier to process the fresh palm fruit within the necessary 24-hour window to ensure an optimal product. The mill will process the crude palm oil before it is taken to the main refinery in Jinja for further refining into cooking oil and other products.

Bidco will plant a total of 6,500 hectares of palm oil, with a further 3,500 hectares to be developed through an out-growers cooperative called Kalangala Oil Palm Growers Trust. The company, a subsidiary of Bidco Oil Refineries Kenya, hopes to eventually position Uganda as a palm oil exporter to the East African region, although the immediate goal is to satisfy the local market.

The Kalangala Oil Palm Growers Trust is part of the Government of Uganda's Vegetable Oil Development Project (VODP) aimed at improving rural incomes by involving smallholder farmers in oil crop production, processing and export diversification. Bidco estimates that it has invested about $130 million overall in the plantation, mill and refinery plant in Jinja.

PREPARED BY THE WHITAKER GROUP, REGISTERED FOREIGN AGENT FOR UGANDA

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President Yoweri Museveni speaking at the United Nations General Assembly in September

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Trench sampling for gold at the Mwerusanda Project, owned by Magnus International Resources of Canada

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FOOD SECURITY

RICE PRODUCTION AND EXPORTS BOOM

Uganda is fast becoming one of Africa's top growers and exporters of rice with production in 2008 expected to reach 180,000 metric tons, an increase of 250% since 2004. In addition, the Government of Uganda launched a new $3.2 million initiative in October to further increase rice production in the eastern part of the country.

The boom can be attributed to aggressive government intervention through the introduction of drought-tolerant upland varieties and lowland irrigated varieties as well as the introduction of duties on imported rice. The result has been not only a boom in rice production but a sharp decline in domestic consumption of imported rice. In 2007, Uganda saved about $30 million by importing about half the quantity it imported in 2005, according to the Uganda National Agricultural Research Organization.

NERICA rice varieties have been a boon to Ugandan farmers

The country is now poised to begin exporting rice to southern Sudan and the Democratic Republic of the Congo, and beginning in January 2009 it will export upland rice seed. Mali has ordered 3,000 metric tons, Ethiopia 506 metric tons and Benin 100 metric tons. At the quoted price of $1.75 a kilogram, Mr. Okasai Opolot, the Ministry of Agriculture's Commissioner for Crop Production and Marketing, estimated that Uganda should earn close to $6.4 million.

The government initiative to boost rice production is part of a larger policy to increase the cultivation of all food crops to mitigate future food shortages and price hikes. "Uganda's approach to the food crisis is not to provide short-term solutions like subsidies, but to facilitate farmers through the National Agricultural Advisory Services (NAADS) to enhance supply," Dr. Fred Muhumuza, Economic Adviser to Uganda's Minister of Finance, told *New Vision* newspaper. "We want everybody to support the long-term approach. The general thrust of this is to improve roads, marketing, productivity and storage."

The benefits of this approach to the rice sector are already apparent. New rice mills have opened, attracting foreign investment, expanding employment and creating competition for farmer output which has resulted in lower prices. Earlier in 2008, China opened the first of a planned string of new rice mills in Uganda. The mill buys rice from local farmers and then processes it for both domestic use and for export to Yemen and Singapore. The result is that while people in other developing countries are paying more for rice, Ugandans are still paying about the same as they did before shortages drove up prices.

A major factor in the increase of rice production in Uganda was President Yoweri Museveni's introduction in 2004 of high-yielding New Rice for Africa (NERICA) varieties. NERICA varieties were first developed by scientists at the West African Rice Development Association (WARDA) in Nigeria. Uganda has successfully adopted three disease-resistant upland varieties suited to the higher altitudes of East Africa. NERICA varieties are not only higher yielding than Asian varieties, but they also are faster to mature and contain more protein per grain.

The imposition of duties on imported rice from countries that heavily subsidize their rice farmers also played an important role in jumpstarting the Ugandan rice industry. The government, however, sees the duties as temporary and is developing new varieties capable of out-competing imported rice. NERICA Project Manager Dr. Ram Chaudhary said recently on *Farm Radio Weekly*, an information service for rural radio broadcasters in sub-Saharan Africa, that a new variety called NERICA 10, with its superior flavor, should be able to edge imported rice out of the market, even if import duties are removed.

PALM OIL

NEW MILL TO BRING DEVELOPMENT TO ISLAND RESIDENTS

Bidco Uganda, a company that grows and processes palm oil, plans to open a new palm oil extraction mill in June 2009 that could transform the lives of rural farmers and fishermen in Uganda's Kalangala District, an area that encompasses 48 islands in Lake Victoria.

The opening of the $10-million mill will coincide with the first commercial harvesting of palm oil from trees previously planted in the district, and will lessen Uganda's reliance on palm oil imported mainly from Malaysia, Indonesia and India. Uganda currently imports about 70% of its vegetable oil needs at a cost of $150 million annually.

Locating the mill close to Bidco's plantation, which already supports about 600 farmers as out-growers, will make it easier to process the fresh palm fruit within the necessary 24-hour window to ensure an optimal product. The mill will process the crude palm oil before it is taken to the main refinery in Jinja for further refining into cooking oil and other products.

Bidco will plant a total of 6,500 hectares of palm oil, with a further 3,500 hectares to be developed through an out-growers cooperative called Kalangala Oil Palm Growers Trust. The company, a subsidiary of Bidco Oil Refineries Kenya, hopes to eventually position Uganda as a palm oil exporter to the East African region, although the immediate goal is to satisfy the local market.

The Kalangala Oil Palm Growers Trust is part of the Government of Uganda's Vegetable Oil Development Project (VODP) aimed at improving rural incomes by involving smallholder farmers in oil crop production, processing and export diversification. Bidco estimates that it has invested about $130 million overall in the plantation, mill and refinery plant in Jinja.

UGANDA UPDATE

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ECONOMY

GOVERNMENT TO INCREASE BUSINESS INCENTIVES

With GDP projected to grow by 8.1% over the next fiscal year, an upbeat Finance Minister, the Honorable Ezra Suruma, introduced a budget in June that provides a host of targeted measures to spur new investment in Uganda.

Moving goods to market is a priority for the next fiscal year

Among the sectors expected to benefit most are agroprocessing, tourism, health, education and infrastructure development.

Mr. Suruma, in his speech introducing the budget to Parliament, said that the government would inject $59.9 million into the National Agricultural Advisory Services (NAADS), as well as allocating $1.7 million to increase mechanization of agriculture. Income arising out of new agro-processing investments will be exempt from income tax over the next year. There will also be a 20% to 30% reduction on excise duty for locally-produced beers.

"Uganda is an agricultural country, and we need to encourage production and processing of our agricultural products," the Minister said.

Schools and tertiary educational institutions will be exempt from income tax and the tax relief on construction materials for hotels and hospitals will be extended another year.

Overall spending on education and health will also be substantially increased. The government has asked Parliament for $514 million to fund improvements in Uganda's primary and secondary schools, and for $359 million to fund the health sector. Much of that sum, Mr. Suruma said, was to reform drug management systems, recruit more health workers and ensure universal access to anti-retroviral treatment.

With the construction of the Bujagali Dam on track, Mr. Suruma said attention will now shift to building two new hydroelectric dams at Karuma and Isimba.

Moving goods to market is also a priority in the new budget. The government has proposed scrapping the value-added tax (VAT) on trucks of 3.5 metric tons and over to help reduce the cost of transportation. In addition, it has allocated $197.5 million to the construction of the Northern Transport Corridor, a dual carriageway from Busia/Malaba at the Kenyan border to Katuna at the Rwandan border. Overall, the government is asking for a record $679 million to fund new road construction.

Exemption from the VAT will be extended for another year for the tourism sector and resident airlines will also be exempt from taxes. In addition, the budget included a $9.9 million land fund to establish investment parks.

Mr. Suruma said that the economy grew by 8.9% over the past fiscal year and that total export earnings had risen by $295 million to $2.3 billion. He added that combined domestic resources represented 70% of the budget with donors providing 30%. Two years ago, donors funded half of Uganda's budget. Remittances last year from Ugandans living abroad more than doubled to over $864 million, becoming the country's biggest source of foreign exchange.

GOVERNANCE

UGANDA COMMENDED BY AFRICAN PEER REVIEWERS

African peer reviewers have praised Uganda for achieving sustainable economic growth, law and order, a good human rights record and democratic government.

The review was conducted under the African Peer Review Mechanism (APRM) developed by the New African Partnership for Economic Development (NEPAD). Uganda was the seventh nation to voluntarily undergo the process.

Prof. Adebayo Adedeji, Chair of the Uganda review panel

Speaking at the release of the report at the African Union (AU) summit in July, Professor Adebayo Adedeji of Nigeria, who headed the review congratulated President Yoweri Museveni for transforming Uganda from the chaos under Idi Amin and Milton Obote into a democratic society.

"The government led by [President] Museveni...has transformed the country over the past two decades," he said. "First there is law and order...secondly, development has become sustainable...Thirdly, from being a military government, it has now become a democratically-elected government and human rights are enjoyed by the people."

The report also noted that political liberalization had led to the emergence of a free media and civil society and that Uganda's decentralized system of government had resulted in greater participation in the formulation and planning of development policies at all levels.

The reviewers commended Uganda for its success in combating HIV/AIDS as well as the key role it has played in facilitating regional peace and security through leadership in negotiations and peacekeeping operations.

The APRM process brought together representatives from the Government of Uganda, civil society, the private sector, academia, members of the political opposition, religious leaders, trade unionists, farmers, youth, women, people with disabilities, members of Parliament and members of the legal profession. Also represented were stakeholders from all levels of regional and local government.

In his speech before the AU regarding Uganda's review, President Museveni described bringing together so many diverse viewpoints as a challenge but one that was "a continuation of the process of building consensus and agreement."

ENERGY

UGANDA TO USE OIL TO DIVERSIFY ECONOMY

President Yoweri Museveni said in July that revenue from newly discovered oil in western Uganda will be used to support agriculture, manufacturing and infrastructure development rather than for consumption of luxury goods.

"Oil revenues will not be used for consumption and importing perfumes, wines, cars and paying salaries," the President told participants at a seminar in Kampala organized by the Governments of Uganda and Norway and the African Development Bank (AfDB). "We shall use it as a finite resource to create infinite capacity for Ugandans. This is our core view in building long-term benefits from the oil."

An oil exploration site in the Albertine Basin

UK-based Tullow Oil Plc and Heritage Oil Ltd, an independent exploration and production company based in Canada, have discovered oil in numerous locations in the Lake Albert Rift Valley Basin. "The Albert Basin looks increasingly like it has the elements to make it a world-class petroleum basin. The flow rates...far exceed our expectations," said Heritage CEO, Mr. Tony Buckingham.

The Ugandan government has also announced that it would not export crude oil, but would have it refined domestically to maximize returns. It is negotiating with Tullow to build a mini-refinery and a power plant in Uganda that will begin production in 2009. The refinery will produce diesel, kerosene and heavy fuel oils for domestic consumption. The power plant will be capable of generating 50 megawatts to 85 megawatts of electricity and will be added to the national grid.

The Ugandan government has proceeded cautiously on granting exploration licenses to ensure that it has the human capacity to make wise decisions regarding the exploitation of the resource. It has consulted extensively with officials from the Nigerian oil and gas industry who have counseled Ugandan officials to avoid developing an overdependence on oil.

MINING

KILEMBE PLANT TO BEGIN SMELTING COPPER FROM DRC

Uganda's Kilembe copper plant in Jinja has begun to smelt copper from the eastern Democratic Republic of the Congo (DRC), according to Mr. Thomas Eggenburg, General Manager of Deutsche Rohstoff AG and Bergbau Mining Company, which operates the Kilembe plant.

A Kalembe Mines worker on an ore carrier

And, Mr. Eggenburg told Uganda's *New Vision* newspaper, there was enough copper ore in the DRC to supply the Kilembe plant for a very long time. "Even if 20 companies start mining copper in the DRC now, they can only exhaust the mineral after 200 years," he said.

Furnaces and other equipment were imported to bring the plant up to capacity. During the 1970s, it was used to treat copper ores from the Kilembe copper mine, but the mine was closed in 1982 amid low global metal prices and rising mining costs.

With the surge in the price of copper, however, the Government of Uganda is looking for investors to revive mining and mineral treatment facilities in Uganda. Copper reserves in Uganda are believed to be around 4.1 million metric tons. The metal, which was trading at $3,500 per metric ton in 2004, is now trading for over $8,000 a metric ton.

TRADE ACCESS

COMESA TRADE HUB TO OPEN IN KAMPALA

A new trade center to ease access for small and medium enterprises to the Common Market for Eastern and Southern Africa (COMESA) will soon open in Kampala, Mr. Julius Magala, the CEO of the new Comesatradehub announced in July. COMESA is a regional free trade area with 19 members that generated $8.8 billion in intra-regional trade in 2007.

"The cost for a single company to effectively market itself internationally can be prohibitive," Mr. Magala said. "The trade center makes it possible by providing a venue where [smaller companies] can market and sell their products at a low cost."

The center will consist of a showroom divided into seven categories - foods and beverages, health and beauty, electronics, household goods, construction materials, automotive products and stationery - and an export warehouse. Sellers will display their goods in the showroom and Comesatradehub will do the marketing and take orders electronically. Sellers will then deliver the goods to the export warehouse and the center will transport the goods to buyers. Comesatradehub will guarantee and prepay all orders.

Ugandan exports to COMESA grew 60% in 2007 to $504 million. Top COMESA markets for Ugandan goods are Rwanda, Kenya, the Democratic Republic of the Congo and Sudan.

BUJAGALI DAM

AMERICAN COMPANY WINS ENGINEERING CONTRACT

MWH, a global provider of environmental engineering, strategic consulting and construction management services, announced in July that it had won a contract to provide engineering services for the Bujagali Hydroelectric Power Project in Uganda.

Under the terms of the contract, MWH will provide technical assistance, design review and contruction drawing review during the start-up and commissioning of the dam over the 44-month engineering and construction phases of the $682 million project. The Colorado-based company will be paid about $3.8 million over four years for its services.

When completed in 2011, the Bujagali Dam will generate 250 megawatts of electricity and is expected to double Uganda's energy capacity. The hydroelectric facility will provide power from an indigenous and renewable resource with low carbon-dioxide emissions, re-using water already used for power generation at upstream dams, thus contributing to sustainable development.

The project is one of the largest private power sector investments ever made in sub-Saharan Africa. MWH will be working with the project sponsors, Industrial Promotion Services of Kenya and Sithe Global Power of the United States.

MWH provides water, energy, natural resource, program management, consulting and construction services to industrial, municipal and government clients around the world. The Bujagali contract is its first in Africa.

SME DEVELOPMENT

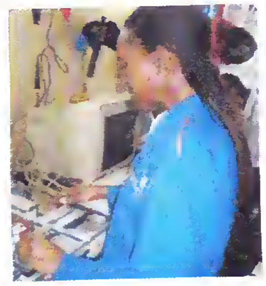
COMPUTER REHABILITATION PLANT OPENS IN KAMPALA

Uganda Green Computers Company, a computer refurbishment and recycling center, opened in June in Kampala, making PC ownership more affordable and accessible to owners of small- and medium-size enterprises (SMEs).

The company aims to refurbish about 10,000 quality-brand PCs a year and resell them for about $175, one-third the price of a new business PC. Each recycled computer will come with a one-year warranty and Windows software provided free by Microsoft under the Microsoft Unlimited Potential program.

The center was made possible by a partnership signed in 2007 between the United Nations Industrial Development Organization (UNIDO) and Microsoft aimed at supporting business opportunities and entrepreneurship among local SMEs in Uganda. Funded primarily by local private and public sector investors, its business model aims for commercial and environmental sustainability.

"The opening of the PC refurbishment center in Kampala marks a major step forward for the economic opportunities available to SMEs, the majority of employers in Uganda," said the Honorable Ham-Mukasa Mulira, Uganda's Minister of Information and Communications Technology. "Access to affordable PCs will help SMEs increase their productivity, share information, grow their business, create local jobs and ultimately help make Uganda a more competitive, knowledge-based economy."



Worker at Uganda Green Computers

The center will refurbish PCs for resale to SMEs across the country through a network of distributors that is expected to grow from six to 20 within one year. The qualified local staff will train distributors on after-sales support and marketing. For its distributor network, Uganda Green Computers will rely on District Business Information Centers, established by UNIDO throughout the country to provide SMEs with access to the internet and business advisory and information and communication technology services.

The company also offers a program for the return of the refurbished computers at the end of their useful life and the responsible disassembly of the hardware. It will reuse working components, resell high-value material including copper and circuit boards, and locally recycle materials like steel and plastic.

FINANCE

ISLAMIC BANK TO OPEN IN UGANDA

A banking group based in the United Arab Emirates has announced it will set up the first Islamic bank in Uganda in the near future.

The National Islamic Bank of Uganda, formed following a merger between the International Investment House (IIH) of Abu Dhabi and the local National Bank of Commerce, will operate in accordance with Sharia law prohibiting interest payments on both deposits and loans.

The *East African* reports that the bank will serve as a conduit for equity investments, including from sovereign wealth funds in the Middle East that will provide capital for big-ticket infrastructure projects in the country.

The bank will focus on providing innovative financing to people who have so far not accessed banking services but who are benefiting from Uganda's economic growth. IIH officials estimate that only one to two million Ugandans use banks out of about six million who are considered "bankable."

The bank will also not set up a traditional physical branch network, but will instead rely on providing services through mobile phones using Hits Telecom as the distributor. IIH is expected to invest $50 million in the new institution. It will own 76% of the shares, while National Bank of Commerce shareholders will own the remaining 24%.

The National Islamic Bank of Uganda will be the second Islamic bank in East Africa following the opening of Gulf Africa Bank in Kenya in 2007.

ELECTRICITY

EARNINGS FROM POWER SECTOR TO DOUBLE BY 2014

Proactive government deregulation and an emerging hybrid electricity industry have led to a complete liberalization of the Ugandan electricity industry that will result in a doubling of market earned revenues from $144 million in 2007 to $323 million in 2014, according to a research report published recently by market consultancy Frost & Sullivan.

"Potential investors in the Ugandan electricity industry have reason to be optimistic as the government has passed several power sector reforms to attract investment in the generation and distribution sectors," the report stated.

Noting that private investments have already begun to come in, Frost & Sullivan research analyst, Mr. Moses Duma, further stated, "This pace of investment will considerably speed up with the government encouraging private-public partnerships to develop new generation capacities."

Mumbuga springs at the geothermal prospect area in Buranga. Uganda's potential for geothermal power is estimated at about 450 megawatts

The report noted that investors are expected to be attracted by Uganda's high electricity tariffs as well as East Africa's plans to develop interconnected power grids to facilitate power sharing among countries in the region. "This program will include the trading of electricity among countries and cross-border electrification," Mr. Duma said. "For the power pool to be effective, member states are expected to upgrade their power networks and generation capacities, creating business opportunities for power transmission companies."

The report also noted that Uganda has untapped sources of power, such as identified geothermal and fossil fuel reserves as well as 2,000 megawatts of unused hydro power potential.

AGRIBUSINESS

INDIAN COMPANY POISED TO SET UP ORGANIC FERTILIZER PLANT

Prathista Industries Ltd (PIL), a bio-fertilizer manufacturer based in Andhra Pradesh, India, has announced that it plans to set up a $75 million organic fertilizer plant in Uganda to supply the African market as well as the US, Canada and Latin America.

Dr. Rajesh Sharma, PIL's joint Managing Director, told *East African Business Week* that while the company was still conducting market research on organic fertilizers in Uganda, PIL was confident it would go ahead with the planned investment. PIL manufactures organic manure in powder form by converting seaweed into powder through spray drying technology. It also makes herbal manure out of natural and inactivated bacterial cells fortified with seaweed extracts, bio zinc and other organic micronutrients and growth promoting substances.

PIL also plans to set up large demonstration farms throughout Uganda with its local partner JN Agritech International Ltd to show farmers how to use the fertilizers and showcase the quality of the crops they produce. "We want to do this by joining hands with corporate businesses interested in taking farming to the next level," Mr. Sharma added.

Uganda has the most developed certified organic farming sector in Africa. Among its organic exports are coffee, cotton, dried bananas, papayas, pineapples, passion fruit, chillies, ginger, sesame and vanilla. It is estimated that about 34,000 farmers manage 122,000 hectares of land using organic methods.

REGIONAL TRADE

UGANDAN REGIONAL EXPORTS DOUBLE IN 2007

Uganda's exports to Kenya and Tanzania increased by 123% in 2007, President Yoweri Museveni told delegates in June at the 9th Summit of the East African Community (EAC) Heads of State in Kigali, Rwanda.

In 2006, Uganda's exports to Kenya and Tanzania were worth $89.7 million and $16 million respectively. In 2007, the figures increased to $154.3 million in exports to Kenya and $26.3 million to Tanzania, the President said

Overall, trade between the three founder states of the East African Community (EAC) - Uganda, Kenya and Tanzania - increased by 20% between 2004 and 2008 from $1.52 billion in 2004 to $1.9 billion in 2008, said Mr. Eriya Kategaya, Uganda's Minister in charge of EAC Affairs and the Chair of the EAC Council of Ministers.

The EAC is moving toward the creation of a customs union that will result in a single market of over 90 million people and a combined gross domestic product of about $30 billion. In negotiating a Common Market Protocol, the five EAC countries - Uganda, Kenya, Tanzania, Rwanda and Burundi - have so far attained a broad consensus on the free movement of goods, people and labor. Ministers of Finance and central bankers continue to work on harmonization of fiscal and monetary policies in readiness for an EAC Monetary Union in 2012.

Rwanda and Burundi will be fully integrated into the EAC by 2009.

PREPARED BY THE WHITAKER GROUP, REGISTERED FOREIGN AGENT FOR UGANDA